



## Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim  
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Please click [here](#) for full details on the criteria ICIS uses in making these price assessments.

### OVERVIEW

- **Offers supported on supply limitations**
- **Demand healthy but buyers resistant**
- **Buy-sell gap widen in India**

Asia's spot discussions for styrene-butadiene-rubber (SBR) remained stable-to-firm on [supply issues](#), but buying tempo may ease on growing buyers' resistance.

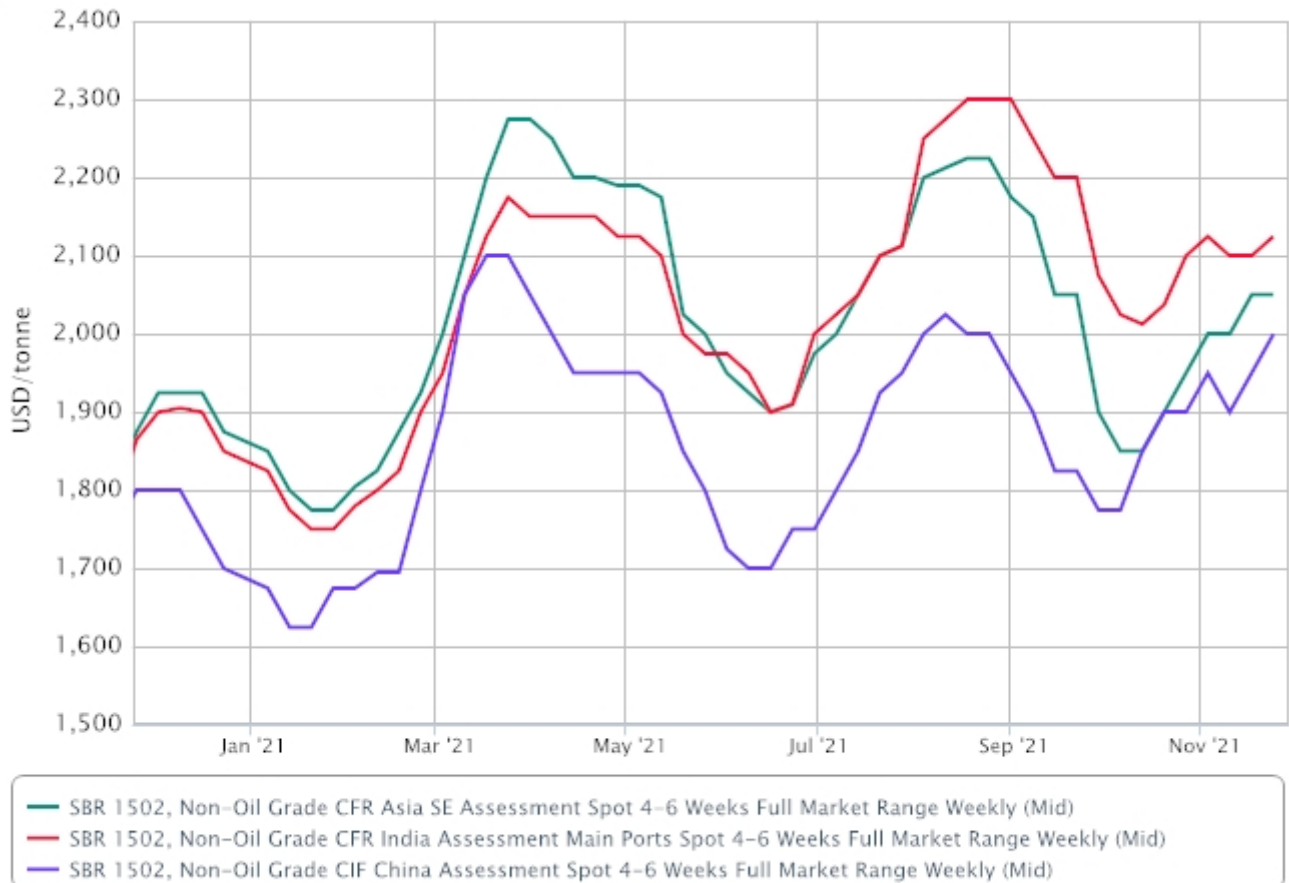
Sellers held firm, or even raised, selling expectations for November/December shipment to various Asian outlets, citing for support limitations in spot availabilities.

Notwithstanding healthy and full operations at most regional SBR plants, market players said that regional suppliers were hard pressed to find more volumes for spot sales, after meeting contractual obligations and inventory replenishment needs.

Demand is deemed generally healthy, supported by recovering production in automotive sector. While some buyers with concrete requirements stepped up to purchase some spot cargoes at levels closer to sellers' asking prices, market players said that most kept only to buying in smaller parcels and on a strictly need-to basis.

Buyers were resistant to the stiff offers, especially since they deemed the SBR producers' margins already at excessively high levels, considering recent losses seen in upstream markets like butadiene and styrene.

If upstream markets fail to pick up, this could continue to dampen pricing sentiment among buyers, market players said.



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## OUTLOOK

- Spot supplies could improve once inventories are replenished
- Demand to tap auto sector growth for support
- Upstream pricing movements may impact on buying interest

## PRICES

### SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
<b>SBR 1502, Non-Oil Grade</b>						
<b>CIF China</b>	USD/tonne	+50	1950-2050	+50	1850-1950	88.45-92.99
<b>CFR Asia SE</b>	USD/tonne	n/c	2000.00-2100.00	n/c	1900.00-2000.00	90.72-95.25
<b>CFR India Main Ports</b>	USD/tonne	n/c	2050.00-2200.00	+50	2050.00-2150.00	92.99-99.79
<b>SBR 1712, Oil-Extended</b>						
<b>CIF China</b>	USD/tonne	+50	1850-1950	+50	1750-1850	83.91-88.45
<b>CFR Asia SE</b>	USD/tonne	n/c	1900.00-2000.00	n/c	1800.00-1900.00	86.18-90.72
<b>CFR India Main Ports</b>	USD/tonne	n/c	1950.00-2100.00	+50	1950.00-2050.00	88.45-95.25

## China

CIF China assessments for the non-oil 1502 grade rose, tracking prior gains in the domestic yuan-denominated markets.

But trade liquidity for imports was low, in part due to concerns on protracted shipment delay.

CIF China assessments for the oil-extended 1712 grade were adjusted up in line with changes seen for the 1502 grade.

Domestic China prices for the 1502 grade softened this week, as buying slowed down after heavy purchases in the last two weeks.

### East China domestic SBR 1502 prices

Price (CNY/tonne)	24 November	17 November
E China Ex-Warehouse	13,300-13,500	13,400-13,600

## Southeast Asia

CFR southeast (SE) Asian prices for both the non-oil 1502 grade and the oil-extended 1712 grade were kept unchanged, tracking rangebound buy-sell indications heard.

Recent increases in natural rubber prices helped to support buying interest for synthetic rubber, market sources said, although SBR buyers were heard increasingly resistant to higher offers, citing downstream affordability issues.

### Natural Rubber SMR 20 Reference Price US cents/kg FOB Malaysia

Nov (1-24) 2021	Oct 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021
174.46	174.39	163.23	172.67	164.32	164.51	169.09	164.72

## India

CFR Indian prices for the non-oil 1502 grade were assessed in a wider range, with the high-end lifted in line with firmer selling indications heard.

Buying interest was deemed robust, as Indian end-users sourced for imports to supplement domestic output which was fast soaked up by recovering auto sector operations in the country.

But some buyers continued to hold fast to pricing indications at the lower-end of the published range, citing the availability of cheaper deep-sea origin materials.

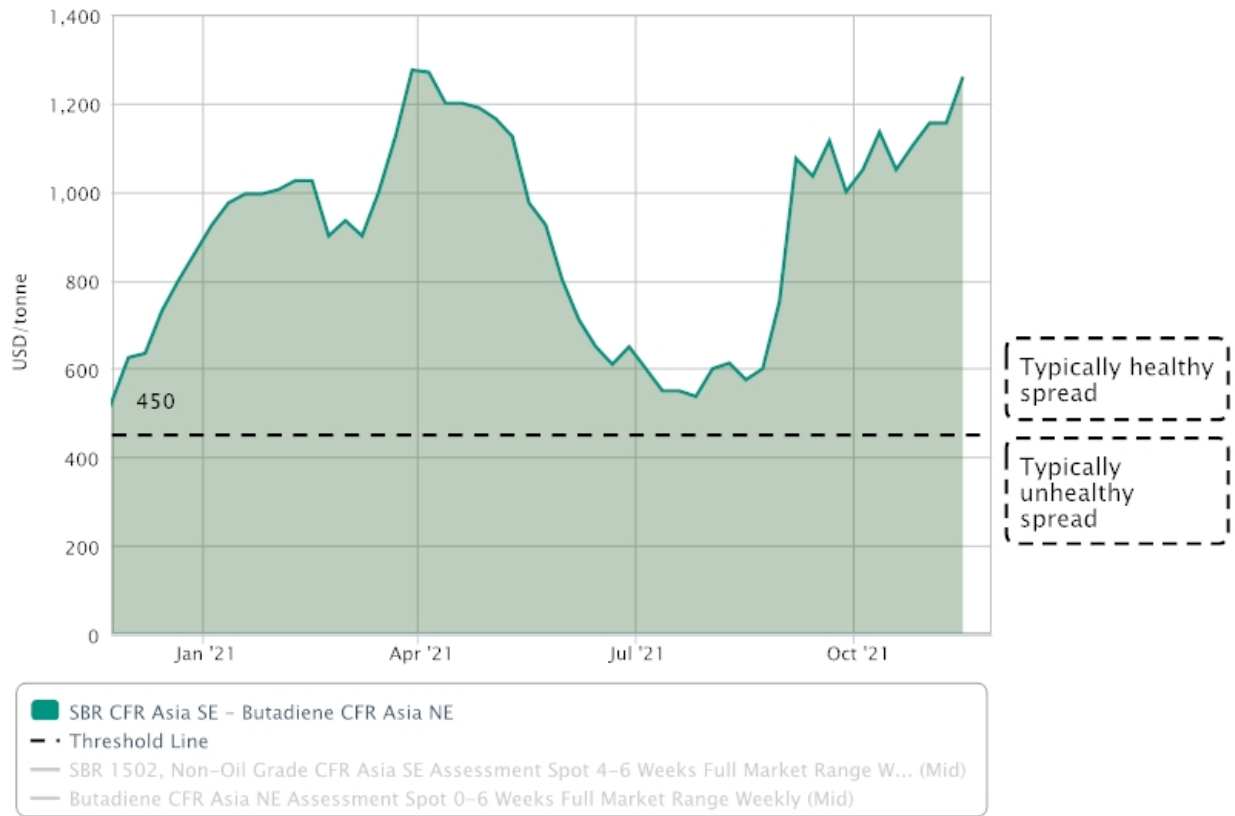
CFR Indian prices for the oil-extended 1712 grade are also adjusted up at the high-end, in tandem with changes seen for the 1502 grade assessments.

## UPSTREAM

Asian **butadiene (BD)** prices [fell](#), tracking weakness in the over-supplied domestic China market.

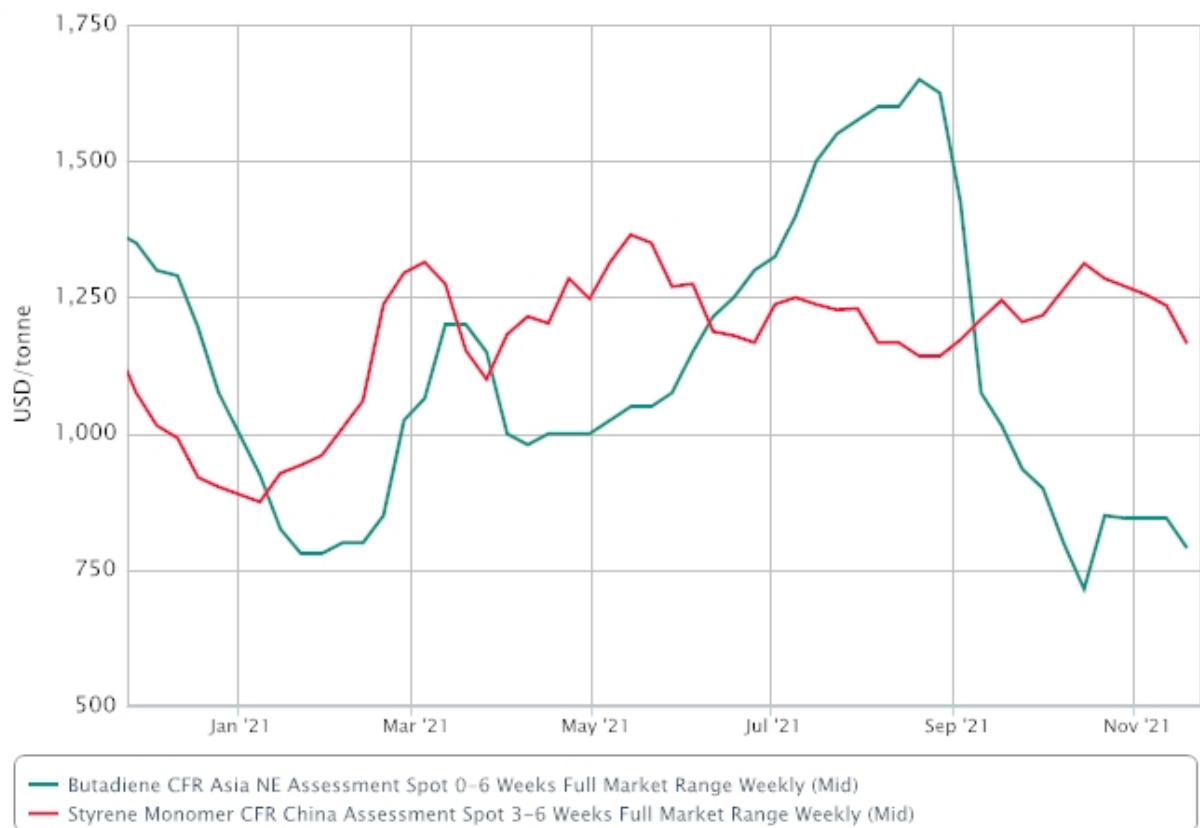
The chart below shows the spread between butadiene and SBR.

[Downstream spread – butadiene NE Asia and SBR SE Asia](#)



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Asian **styrene** prices weakened for the second consecutive week, [tracking losses](#) in the yuan-denominated futures market and overall weak trading sentiment from key market participants.



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## PRODUCTION

In China, average operating rates of local SBR plants rose higher to 90% in the week ended 17 November, up from 83% in the week prior, market sources said.

Outside of China, SBR spot availabilities are also posed to grow and stabilise, now that regional plant turnarounds have been completed.

Click [here](#) for the Asian SBR Live Disruption Tracker.

## OTHER REGIONS

In Europe, November SBR formula contracts are [rolled over](#), amid lacklustre demand.

In the US, Ford and GlobalFoundries plan to collaborate on chip production, as global shortage of chips is expected to stretch into 2022.

## ANALYTICS

### ICIS Crude outlook

The crude market has strengthened significantly in 2021, as OPEC+ continued their historic production cuts and demand rose globally. Looking forward, OPEC+ will likely continue production cuts tapering of 400,000 bbl/day per month throughout Q1 2022. Tapering of OPEC+'s remaining cuts is likely to continue in summer 2022, with the agreement expected to end in December 2022. Supply growth from the US will be seen, particularly in the shale patch, but will not grow as quickly as it did pre-pandemic. Overall oil demand will remain counter-seasonally firm in early 2022, as manufacturers and end-users are expected

to switch power generation sources from gas to oil, leading to up to 750,000 bbl/day additional oil demand during this period. Demand will face major headwinds in the form of rising inflation, which could prompt interest rates to rise. Should the US Fed, the ECB or the Bank of England increase interest rates earlier than expected, economic growth could slow, which will negatively impact oil demand overall.

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### **ICIS Naphtha outlook**

While most refined products saw COVID-19 wreak havoc on their markets, naphtha fared well due to restricted supply from refineries and firm demand in the petrochemicals sector. Looking to 2022, ICIS expects the market to remain tight, although much less so than in 2021. Total naphtha demand is expected to increase by 2.8% year on year, but supplies from refineries are expected to increase by 3.9% in the same period. Demand growth for naphtha as a petrochemical feedstock is expected to remain strong in 2022; growth of 4.2% year on year is anticipated, driven largely by new naphtha cracker operations in Asia. In addition, with LPG prices expected to remain high throughout the winter, naphtha is expected to remain the cracker feedstock of choice until summer 2022, helping to support overall naphtha demand during this period.

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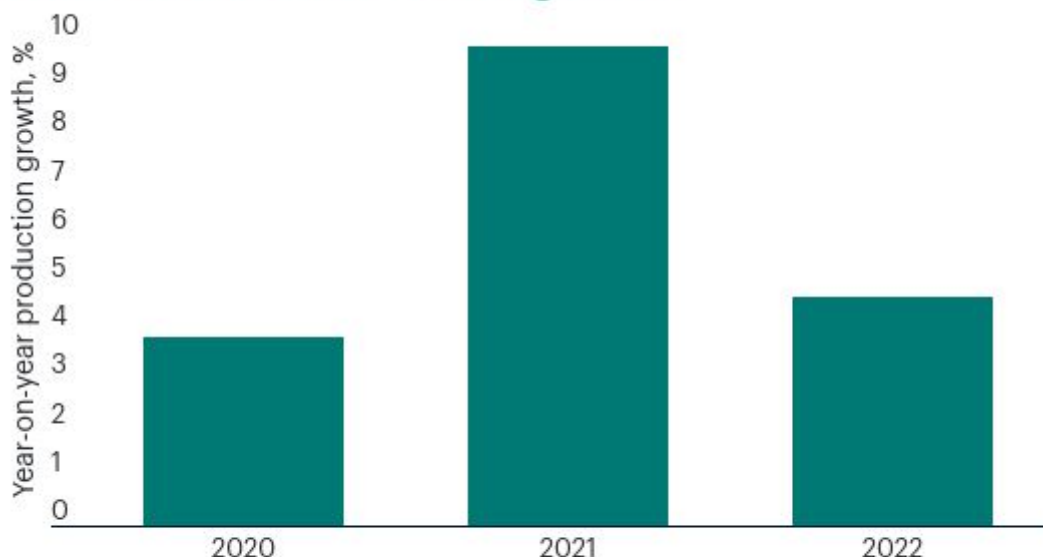
### **ICIS Downstream Automotive Demand Outlook**

The global automotive industry is still struggling to make up for pandemic-induced losses, with Q3 production down by 13.2% year on year, and Oxford Economics predicting that Q4 will be down by 6.5% compared with Q4 2019. Global vehicle production growth is not expected to return until Q3 2022, with chip supply expected to remain tight through 2022. Even Jean-Marc Chery, CEO of STMicroelectronics predicted that, "...we will return to a normal situation... not before the first half of 2023." Chip makers are also heard to favour consumer electronics over cars because of higher volumes and better margins. The industry's just-in-time (JIT) procurement strategy has added to the pressure. However, it is not all doom and gloom as vehicle chip suppliers such as Infineon and Bosch are ramping up capacity. Many countries are also now looking at chips as a strategic material and the industry is now receiving government support. Rising electric vehicle penetration will also push car makers up the chip pecking order because more advanced chips (with higher margins) will be required. However, car makers will need to readjust JIT strategies to ensure supply of security, as well as improving relationships with their Tier-1 suppliers.

The auto industry in China is also struggling. It currently has an inventory coefficient of 1.24 – with anything below 1.5 considered a dangerous level. In addition to severe supply disturbances, the regulator in China is cracking down on chip suppliers who are accused of price gouging. The outlook for the Indian automotive market is mixed. It was already under pressure after several manufacturers exited the country citing low sales. India's Federation of Automobile Dealers Associations (FADA) reported that the inventory level had slumped to a record low of 15 to 20 days. According to a FADA survey, 45.0% of respondents had a neutral outlook for the Indian auto market, with positives and negatives split with 27.5%. India's personal vehicle and tractor sectors are outperforming, growing by 30% and 39% in September respectively from September 2019. The chip shortage has hit Bajaj Auto's export market.

By **Jincy Varghese**, ICIS demand analyst ([jincy.varghese@icis.com](mailto:jincy.varghese@icis.com))

## China motor vehicle sector growth



Source: Oxford Economics

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